VXL CAPITAL LIMITED
卓越金融有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 727)

Announcement of Annual Results for the year ended 31 March 2008

The Board of Directors (the "Board") of VXL Capital Limited (the "Company") is pleased to present consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008 together with the comparative figures for the fifteen months ended 31 March 2007.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	Note	**1/4/2007 to 31/3/2008** ***HK$'000***	1/1/2006 to 31/3/2007 *HK$'000*
Continuing operations			
Turnover	2	**20,100**	11,985
Other revenue	2	**9,512**	-
Excess of fair value of net assets acquired over costs of acquisition		**-**	91,536
Fair value gain on investment properties	8	**143,251**	8,719
Staff costs		**(22,409)**	(18,666)
Other operating expenses		**(61,735)**	(37,290)
Operating profit	3	**88,719**	56,284
Finance income		**288**	2,502
Finance costs		**(58,425)**	(16,144)
Share of losses of associates		**(14)**	(74)
Profit before taxation		**30,568**	42,568
Taxation (charge)/credit	4	**(26,841)**	11,207
Profit for the year/period from continuing operations		**3,727**	53,775
Discontinued operations			
Profit for the year/period from discontinued operations	5	**3,837**	9,769
Profit attributable to shareholders		**7,564**	63,544
Earnings per ordinary share from continuing operations attributable to shareholders of the Company for the year/period		***HK cents***	*HK cents*
- Basic	6	**0.24**	3.67
- Diluted	6	**0.24**	3.67
Earnings per ordinary share from discontinued operations attributable to shareholders of the Company for the year/period		***HK cents***	*HK cents*
- Basic	6	**0.25**	0.66
- Diluted	6	**0.25**	0.66

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Non-current assets			
Property, plant and equipment	7	**141,825**	5,550
Investment properties	8	**995,219**	891,561
Land use rights		**37,379**	-
Goodwill		**-**	18,314
Interests in associates		**225**	35,009
Available-for-sale financial asset		**660**	556
		1,175,308	950,990
Current assets			
Financial assets at fair value through profit or loss		**21,753**	16,505
Trade and other receivables	9	**75,056**	6,506
Bank balances and cash		**29,526**	20,970
		126,335	43,981
Non-current assets held for sale	10	**179,314**	-
		305,649	43,981
Current liabilities			
Trade and other payables	11	**76,847**	409,881
Borrowings	12	**484,583**	132,896
		561,430	542,777
Net current liabilities		**(255,781)**	(498,796)
Total assets less current liabilities		**919,527**	452,194
Non-current liabilities			
Borrowings	12	**475,360**	97,086
Deferred tax liabilities		**87,591**	55,707
		562,951	152,793
Net assets		**356,576**	299,401
Financed by:			
Share capital		**15,296**	15,280
Reserves		**341,280**	284,121
Shareholders' funds		**356,576**	299,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except as modified by the revaluation of the investment properties, the available-for-sale financial assets and the financial assets at fair value through profit or loss.

At 31 March 2008, the Group had net current liabilities of HK$255,781,000. The Group has been exploring possible financing options. With the disposal of its investment properties (Note 8) and 90% equity interests in its subsidiaries (Note 13), the Group is expected to receive considerations of HK$161 million and HK$700.6 million respectively. Such proceeds will be used to repay bank loans and other current liabilities to improve the liquidity of the Group. In addition, subsequent to the balance sheet date, the Group has obtained additional bank loans and other loans for working capital purposes and for financing its committed capital expenditure.

(a) *Standard, amendment and interpretations to existing standards effective during the year ended 31 March 2008*

- HKFRS 7, "Financial instruments: Disclosures";
- HK(IFRIC) – Int 8, "Scope of HKFRS 2";
- HK(IFRIC) – Int 10, "Interim financial reporting and impairment"; and
- HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions".

(b) *Interpretations to existing standards effective during the year ended 31 March 2008 but not relevant to the Group's operation*

- HK(IFRIC) – Int 7, "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies"; and
- HK(IFRIC) – Int 9, 'Re-assessment of embedded derivatives'.

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

- HKAS 1 (Revised), "Presentation of financial statements" (effective from 1 January 2009);
- HKAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009);
- HKAS 27 (Revised), "Consolidated and separate financial statements" (effective from annual period beginning on or after 1 July 2009);
- HKFRS 2 (Amendment), "Share-based payment vesting conditions and cancellations" (effective from 1 January 2009);
- HKFRS 3 (Revised), "Business combinations" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009); and
- HKFRS 8, "Operating segments" (effective from 1 January 2009).

(d) *Interpretations to existing standards that are not yet effective and not relevant for the Group's operations*

- HK(IFRIC) – Int 12, "Service concession arrangements" (effective from 1 January 2008);
- HK(IFRIC) – Int 13, "Customer loyalty programs" (effective from 1 July 2008); and
- HK(IFRIC) – Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008).

2. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in property investment and securities trading and investment. Following the disposal of VXL Financial Services Limited ("VXLFSL") during the year, the Group's financial services operation was discontinued. Turnover and other revenue of the continuing operations recognized during the year/period are as follows:

	1/4/2007 to 31/3/2008	1/1/2006 to 31/3/2007
	HK$'000	*HK$'000*
Turnover		
Rental and other fee income	**10,222**	9,990
Fair value gain from listed investments	**9,878**	1,995
	20,100	11,985
Other revenue		
Deposit forfeited in relation to uncompleted sale of certain listed investments	**9,207**	-
Dividend income from listed investments	**269**	-
Sundry income	**36**	-
	9,512	-

Primary reporting format – business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit which is subject to risks and returns that are different from those of other business segments. Summarized details of the business segments are as follows:

a) the property investment segment is engaged in operation of the investment properties and hotel investment;

b) the securities trading and investment segment is engaged in securities trading and investment and other investment holding. The revenue of this segment mainly comprises net income from investment and trading securities;

c) the financial services segment is engaged in the provision of corporate finance and advisory services and operational and financial leasing of assets, which was discontinued during the year; and

d) the unallocated segment comprises operations other than those specified in (a) to (c) above and includes that of the corporate office.

Capital expenditure comprises additions to property, plant and equipment (Note 7) and investment properties (Note 8). Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, goodwill, investments and receivables. Segment liabilities comprise operating liabilities. Unallocated assets and liabilities mainly represent assets and liabilities used by the corporate office, which cannot be allocated on a reasonable basis to any segment. They include items such as deferred taxation and corporate borrowings.

The segment results, major non-cash items and capital expenditure based on business segments for the year ended 31 March 2008 and the fifteen months ended 31 March 2007 are as follows:

	Continuing Operations				Discontinued Operations		
	Property investment	Securities trading and investment	Unallocated	Subtotal	Financial services	Elimination	The Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2008							
Segment revenue:							
Sales to external customers	**10,222**	**9,878**	**-**	**20,100**	**3,876**	**-**	**23,976**
Inter-segment revenue	**-**	**-**	**-**	**-**	**317**	**(317)**	**-**
Total segment revenue	**10,222**	**9,878**	**-**	**20,100**	**4,193**	**(317)**	**23,976**
Segment results	**108,137**	**19,341**		**127,478**	**462**		**127,940**
Unallocated operating income and expenses, net				**(38,759)**	**-**		**(38,759)**
Finance income				**288**	**-**		**288**
Finance costs				**(58,425)**	**-**		**(58,425)**
Profit on disposal of discontinued operations				**-**	**2,189**		**2,189**
Share of (losses)/profits of associates				**(14)**	**1,230**		**1,216**
Profit before taxation				**30,568**	**3,881**		**34,449**
Taxation charge				**(26,841)**	**(44)**		**(26,885)**
Profit attributable to shareholders				**3,727**	**3,837**		**7,564**
Other segment information							
Fair value gain on investment properties (Note 8)	**143,251**	**-**	**-**	**143,251**	**-**		**143,251**
Depreciation and amortization	**1,799**	**-**	**3,244**	**5,043**	**22**		**5,065**
Provision for impairment of property, plant and equipment	**5,775**	**-**	**-**	**5,775**	**-**		**5,775**
Capital expenditure	**213,668**	**-**	**1,276**	**214,944**	**-**		**214,944**
For the fifteen months ended 31 March 2007							
Segment revenue:							
Sales to external customers	9,990	1,995	-	11,985	21,954	-	33,939
Inter-segment revenue	-	-	-	-	824	(824)	-
Total segment revenue	9,990	1,995	-	11,985	22,778	(824)	33,939
Segment results	99,422	1,940		101,362	9,121		110,483
Unallocated operating income and expenses, net				(45,078)	-		(45,078)
Finance income				2,502	536	(109)	2,929
Finance costs				(16,144)	(201)	109	(16,236)
Profit on disposal of discontinued operations				-	715		715
Share of losses of associates				(74)	(402)		(476)
Profit before taxation				42,568	9,769		52,337
Taxation credit				11,207	-		11,207
Profit attributable to shareholders				53,775	9,769		63,544
Other segment information							
Excess of fair value of net assets acquired over costs of acquisition	91,536	-	-	91,536	-		91,536
Fair value gain on investment properties (Note 8)	8,719	-	-	8,719	-		8,719
Depreciation and amortization	246	-	2,860	3,106	320		3,426
Capital expenditure	729,028	-	3,436	732,464	718		733,182

The segment assets and liabilities based on business segments as at 31 March 2008 and 31 March 2007 are as follows:

	Continuing Operations				Discontinued Operations	
	Property investment	Securities trading and investment	Unallocated	Subtotal	Financial services	The Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2008						
Segment assets	**1,421,125**	**21,754**	**8,327**	**1,451,206**	**-**	**1,451,206**
Interests in associates				**225**	**-**	**225**
Bank balances and cash				**29,526**	**-**	**29,526**
Total assets				**1,480,957**	**-**	**1,480,957**
Segment liabilities	**70,368**	**-**	**6,940**	**77,308**	**-**	**77,308**
Bank and other loans	**500,315**	**-**	**271,474**	**771,789**	**-**	**771,789**
Amount due to ultimate holding company				**187,693**	**-**	**187,693**
Deferred tax liabilities				**87,591**	**-**	**87,591**
Total liabilities				**1,124,381**	**-**	**1,124,381**
At 31 March 2007						
Segment assets	912,941	16,557	8,298	937,796	1,196	938,992
Interests in associates				239	34,770	35,009
Bank balances and cash				11,183	9,787	20,970
Total assets				949,218	45,753	994,971
Segment liabilities	405,306	-	4,554	409,860	452	410,312
Bank loans	100,000	-	-	100,000	-	100,000
Amount due to ultimate holding company				129,551	-	129,551
Deferred tax liabilities				55,707	-	55,707
Total liabilities				695,118	452	695,570

Secondary reporting format – geographical segments

The Group's business segments operate in Hong Kong and the People's Republic of China ("PRC"). The segment revenue and capital expenditure based on geographical segments for the year ended 31 March 2008 and the fifteen months ended 31 March 2007 are as follows:

	1/4/2007 to 31/3/2008				1/1/2006 to 31/3/2007			
	Continuing operations	**Discontinued operations**	**Elimination**	**The Group**	Continuing operations	Discontinued operations	Eliminated	The Group
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue								
Hong Kong	**20,066**	**4,193**	**(317)**	**23,942**	11,985	22,778	(824)	33,939
PRC	**34**	**-**	**-**	**34**	-	-	-	-
	20,100	**4,193**	**(317)**	**23,976**	11,985	22,778	(824)	33,939
Capital expenditure								
Hong Kong	**1,014**	**-**	**-**	**1,014**	2,933	30	-	2,963
PRC	**213,930**	**-**	**-**	**213,930**	729,531	688	-	730,219
	214,944	**-**	**-**	**214,944**	732,464	718	-	733,182

Revenue is categorized based on the jurisdiction in which the customers are located, while capital expenditure is classified based on where the assets are located.

The segment assets based on geographical segments as at 31 March 2008 and 2007 are analyzed as follows:

	2008			2007		
	Continuing operations	**Discontinued operations**	**The Group**	Continuing operations	Discontinued operations	The Group
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Total assets						
Hong Kong	**222,220**	**-**	**222,220**	190,684	10,983	201,667
PRC	**1,258,737**	**-**	**1,258,737**	758,534	34,770	793,304
	1,480,957	**-**	**1,480,957**	949,218	45,753	994,971

Total assets are categorized based on where the assets are located.

3. OPERATING PROFIT

	1/4/2007 to 31/3/2008	1/1/2006 to 31/3/2007
	HK$'000	*HK$'000*
Operating profit is arrived at after charging/(crediting):		
Legal and professional fee	**7,404**	3,084
Consultancy fee	**14,379**	7,726
Rental income from investment properties	**(10,188)**	(9,986)
Direct outgoings for investment properties	**3,095**	5,651
Depreciation and amortization	**5,043**	3,106
Provision for impairment of property, plant and equipment	**5,775**	-
Loss on disposal of property, plant and equipment	**114**	12
Auditors' remuneration		
- audit	**920**	605
- non-audit	**574**	961
Net exchange (gain)/loss	**(1,017)**	178
Operating leases - land and buildings	**6,781**	7,083

4. TAXATION

Hong Kong profits tax is assessed at the statutory rate of 17.5% (fifteen months ended 31 March 2007: 17.5%) on the assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	1/4/2007 to 31/3/2008	1/1/2006 to 31/3/2007
	HK$'000	*HK$'000*
Deferred tax	**26,841**	(11,207)

5. DISCONTINUED OPERATIONS

On 18 May 2007, the Company entered into a conditional agreement to sell the entire issued share capital of a subsidiary, VXLFSL, to a third party, for a consideration of HK$11 million. Following the completion of the disposal on 1 August 2007, the Group discontinues its financial services operation, and focuses on property investments and securities investment.

On 23 August 2007, VXL Investments Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement to dispose of 45% of its equity interest and shareholder's loan in Million Sky Investments Limited to a third party for a total consideration of RMB34,785,000 (equivalent to approximately HK$35,931,000).

An analysis of the results and cash flows of the discontinued operations is as follows:

	1/4/2007 to 31/3/2008	1/1/2006 to 31/3/2007
	HK$'000	*HK$'000*
Revenue	**4,193**	22,778
Staff costs	**(1,849)**	(6,122)
Other operating expenses	**(1,882)**	(7,535)
Operating profit	**462**	9,121
Finance income	**-**	536
Finance costs	**-**	(201)
Share of profits/(losses) of associates	**1,230**	(402)
Profit before taxation	**1,692**	9,054
Taxation	**(44)**	-
Profit of discontinued operations	**1,648**	9,054
Profit on disposal of discontinued operations	**2,189**	715
Profit from discontinued operations	**3,837**	9,769

6. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY FOR THE YEAR/PERIOD

(a) Basic earnings per ordinary share are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the year/period.

	1/4/2007 to 31/3/2008	1/1/2006 to 31/3/2007
Profit attributable to the shareholders of the Company		
- from continuing operations, HK$'000	**3,727**	53,775
- from discontinued operations, HK$'000	**3,837**	9,769
Weighted average number of ordinary shares in issue	**1,528,906,637**	1,466,303,300
Basic earnings per share	***HK cents***	*HK cents*
- from continuing operations	**0.24**	3.67
- from discontinued operations	**0.25**	0.66

(b) Diluted earnings per ordinary share is calculated based on the weighted average number of ordinary shares in issue after adjusting for the potential dilutive effect in respect of outstanding share options.

	1/4/2007 to 31/3/2008	1/1/2006 to 31/3/2007
Profit attributable to the shareholders of the Company		
- from continuing operations, HK$'000	**3,727**	53,775
- from discontinued operations, HK$'000	**3,837**	9,769
Adjusted weighted average number of ordinary shares in issue	**1,553,411,555**	1,466,303,300
Diluted earnings per share	***HK cents***	*HK cents*
- from continuing operations	**0.24**	3.67
- from discontinued operations	**0.25**	0.66

On 7 August 2007, every ordinary share of HK$0.20 each of the Company was subdivided into twenty ordinary shares of HK$0.01 each. The comparative figures have been adjusted to reflect the effect of share subdivision.

7. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment and machinery *HK$'000*	Computer and related equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost						
At 1 April 2007	**-**	**5,945**	**289**	**1,188**	**2,462**	**9,884**
Additions	**125,781**	**6,113**	**6,611**	**132**	**1,522**	**140,159**
Disposals	**-**	**(99)**	**(45)**	**(259)**	**(819)**	**(1,222)**
Reclassified as non-current assets held for sale (Note 10)	**-**	**(578)**	**-**	**-**	**-**	**(578)**
Exchange difference	**6,967**	**36**	**374**	**26**	**78**	**7,481**
At 31 March 2008	**132,748**	**11,417**	**7,229**	**1,087**	**3,243**	**155,724**
Accumulated depreciation						
At 1 April 2007	**-**	**2,805**	**99**	**612**	**818**	**4,334**
Charge for the year	**1,074**	**2,676**	**294**	**232**	**597**	**4,873**
Disposals	**-**	**(79)**	**(32)**	**(211)**	**(369)**	**(691)**
Provision for impairment	**-**	**5,752**	**-**	**-**	**23**	**5,775**
Reclassified as non-current assets held for sale (Note 10)	**-**	**(496)**	**-**	**-**	**-**	**(496)**
Exchange difference	**60**	**11**	**14**	**3**	**16**	**104**
At 31 March 2008	**1,134**	**10,669**	**375**	**636**	**1,085**	**13,899**
Net book value						
At 31 March 2008	**131,614**	**748**	**6,854**	**451**	**2,158**	**141,825**
Cost						
At 1 January 2006	-	3,082	110	739	2,302	6,233
Additions	-	3,356	212	631	144	4,343
Disposals	-	(507)	(36)	(193)	-	(736)
Exchange difference	-	14	3	11	16	44
At 31 March 2007	-	5,945	289	1,188	2,462	9,884
Accumulated depreciation						
At 1 January 2006	-	560	30	303	235	1,128
Charge for the period	-	2,416	75	353	582	3,426
Disposals	-	(174)	(6)	(45)	-	(225)
Exchange difference	-	3	-	1	1	5
At 31 March 2007	-	2,805	99	612	818	4,334
Net book value						
At 31 March 2007	-	3,140	190	576	1,644	5,550

8. INVESTMENT PROPERTIES

	1/4/2007 to 31/3/2008	1/1/2006 to 31/3/2007
	HK$'000	*HK$'000*
At 1 April / 1 January	**891,561**	143,000
Acquisition of business	**-**	397,826
Additions	**39,175**	331,013
Fair value gain	**143,251**	8,719
Exchange difference	**82,150**	11,003
Reclassified as non-current assets held for sale (Note 10)	**(160,918)**	-
At 31 March	**995,219**	891,561

The investment property was revalued at 31 March 2008 on an open market value basis by an independent, professionally qualified valuer, DTZ Debenham Tie Leung Limited.

9. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables (Note)	**384**	1,245
Other receivables	**2,665**	2,069
Deposits for acquisition of hotel properties	**62,197**	-
Prepayments and deposits	**9,810**	3,192
	75,056	6,506

(Note) The ageing analysis of the trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 1 month	**384**	955
Between 1 and 3 months	**-**	290
	384	1,245

Trade receivables represent rental income receivable. Rental income is billed in advance on a monthly basis. All billings are due on presentation.

10. NON-CURRENT ASSETS HELD FOR SALE

On 7 December 2007, the Group has entered into a sale and purchase agreement to dispose of one of its investment properties. The disposal was completed on 12 June 2008, on which day the beneficial ownership was passed to the purchaser.

The fair value of the Group's investment property before reclassification as non-current assets held for sale was determined based on valuation carried out by a professionally qualified executive of the Group, using direct comparison approach by making reference to comparable sales evidence as available in the relevant market; and income approach by capitalizing the rental incomes derived from the market rental of the property with due provision for any reversionary income potential using a market related capitalization rate.

The assets that are classified as held for sale are as follows:

	2008	2007
	HK$'000	*HK$'000*
Property, plant and equipment (Note 7)	**82**	-
Investment property (Note 8)	**160,918**	-
Goodwill	**18,314**	-
	179,314	-

11. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade payables (note a)	**163**	234
Property cost payable (note b)	**6,200**	291,968
Other payables and accruals	**38,284**	32,822
Deposits	**32,200**	84,857
	76,847	409,881

(a) The ageing analysis of the trade payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 1 month	**132**	184
Between 1 and 3 months	**31**	50
	163	234

(b) This represents the remaining balance of consideration payable for acquiring one hotel property. The amount as at 31 March 2007 relates to the acquisition of an investment property, the North Block and South Block of the property development known as Changshou Commercial Plaza situated in the Putuo District in Shanghai, the PRC ("Changshou Properties").

12. BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Non-current		
Bank loans	**475,090**	97,000
Obligations under finance leases	**270**	86
	475,360	97,086
Current		
Bank loans	**25,225**	3,000
Other loans	**271,474**	-
Obligations under finance leases	**191**	345
Amount due to ultimate holding company	**187,693**	129,551
	484,583	132,896
Total borrowings	**959,943**	229,982

13. EVENTS AFTER THE BALANCE SHEET DATE

On 4 June 2008, the Group entered into a sale and purchase agreement to dispose of 90% of its equity interests in Moral High Limited ("Moral High"), to a third party, for a consideration of RMB625.5 million (equivalent to approximately HK$700.6 million), subject to certain adjustments as described in the Company's announcement dated 13 June 2008. Moral High is a wholly-owned subsidiary of the Company and an investment holding company holding 100% equity interests in the registered capital of Peak Moral High Commercial Development (Shanghai) Limited ("Peak Moral High"). The principal asset of Peak Moral High is Changshou Properties (Note 8).

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 March 2008 (fifteen months ended 31 March 2007: Nil).

FINANCIAL PERFORMANCE REVIEW

For the year ended 31 March 2008, turnover from the continuing operations increased by 67.7% to HK$20.1 million. Both 112 Apartments and Changshou Properties have contributed a total fair value gain of HK$143.3 million.

During the year, in line with the strategy of capitalizing on the extensive business opportunities arising from the opening of the PRC market, the Group has established a team of management staff in the PRC to look after all existing and potential China projects, including Changshou Properties and "U" Inn hotels chain. Such expansion of workforce and frequent corporate activities during the year has brought to an increase in legal and professional fees and operating expenses. Nevertheless, the Group generated an operating profit of HK$88.7 million.

As a result of the acquisition of Changshou Properties and the budget hotels, the total borrowings of the Group has increased by HK$730.0 million and the finance costs have increased to HK$58.4 million. This has reduced the Group's profit attributable to shareholders down to HK$7.6 million.

In June 2008, the Group has entered into a Sale & Purchase Agreement with an affiliate of The Blackstone Group L.P. ("Blackstone") to dispose of its 90% interests in a subsidiary which beneficially owns Changshou Properties, at a net consideration of approximately HK$700.6 million. The disposal will generate a sizeable profit and considerable cash to the Group. It is expected that the transaction will be completed in August 2008. Together with proceeds received from the completion of disposal of 112 Apartments in June 2008, the Group will reduce its total borrowings and finance costs significantly.

FINANCIAL HIGHLIGHTS

Turnover

For the year ended 31 March 2008, the Group achieved a turnover of HK$20.1 million from its continuing operations, mainly comprising rental income from an investment property and fair value gain from listed investments.

The turnover increased by 67.7% compared to the fifteen months ended 31 March 2007 as a result of significant increase in the fair value gain from listed securities investments and the steady rental income from the serviced apartment tower, 112 Apartments. During the year, the Group has recorded a fair value gain of HK$9.9 million from listed investments, mainly resulting from the revaluation of trading securities as at 31 March 2008.

Other revenue and gain

The Group recorded a total fair value gain of HK$143.3 million from both 112 Apartments and Changshou Properties resulting from the revaluation of the properties. In addition, the Group also generated an interest income of HK$0.3 million during the year.

Operating Expenses

The operating costs for the year increased by 50.4% to HK$84.1 million compared to HK$56.0 million for the fifteen months ended 31 March 2007. As part of the plan to grasp extensive business opportunities arising from the opening of the PRC market, the Group has established a team of management staff in the PRC to manage China projects, including Changshou Properties and the budget hotel chain. This has led to increase in operating expenses, which mainly comprised staff costs, office rental payments, and depreciation of office premises. In addition, legal and professional costs and consultancy fees also increased as a result of various corporate activities carried out by the Group during the year.

Non-current Assets

During the year, the Group has acquired and entered into agreements to acquire a total of 28 budget hotels in different provinces in China. The hotels are recorded as Property, Plant and Equipment in the balance sheet on completion of acquisition. The Group has entered into Sales and Purchase Agreements to dispose of its investment properties, both the 112 Apartments and Changshou Properties. Both investment properties have contributed sizable fair value gain to the Group since their acquisitions. The disposal of 112 Apartments was completed in June 2008 and the disposal of Changshou Properties will be completed in August 2008. Details of the disposals are disclosed in the Business Review and Corporate Development section below.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a bank and cash balance of HK$29.5 million as of 31 March 2008. Cash reserves have been placed with major banks in Hong Kong and the PRC in the form of Hong Kong dollar and Renminbi deposits mainly.

As of 31 March 2008, the Group had total borrowings of HK$959.9 million, including bank loans of HK$500.3 million, other loans of HK$271.5 million, obligations under finance leases of HK$0.4 million and a ultimate holding company loan of HK$187.7 million. Bank loans of HK$500.3 million are payable as follows: HK$25.2 million due within one year; HK$342.4 million due after one year and within five years; and HK$132.7 million due after 5 years. Other loans and the loan from ultimate holding company are payable within one year. Obligations under finance leases will mature within four years.

As of 31 March 2008, the Group had a gearing ratio of 260.9% (2007: 69.8%), which is measured on the basis of the Group’s total interest-bearing debt net of cash reserves over the shareholders’ funds. The significant increase in the gearing ratio during the year is primarily due to the drawdown of bank loans to finance the Group’s acquisition of Changshou Properties and hotel properties.

With the completion of the disposal of 112 Apartments and Changshou Properties, it is expected that the total borrowings will be reduced significantly in the upcoming year.

BUSINESS REVIEW AND CORPORATE DEVELOPMENT

2007-08 was a fruitful year for the Group as it has achieved a number of key operation milestones and accomplishments as listed below.

BUDGET HOTELS

The successful acquisition of budget hotels from China Post Group during the year has enabled the Group to build up a portfolio of 28 hotel properties in the PRC. Geographically, the Group has now succeeded in strategically laying “U” Inn footprints on various vibrant cities throughout the PRC in Jilin, Liaoning, Shandong, Gansu, Hubei, Zhejiang, Sichuan, Shaanxi, Guangdong provinces, Chongqing municipality, and Xinjiang Uygur and Tibet autonomous regions.

Upon the completion of acquisitions, renovation and re-branding to upgrade the acquired hotels to “U” Inn Express or “U” Inn Hotel are immediately under way to capture the aspiring demand for quality and “value for money” hotels in the PRC. The Group’s strategy is to develop budget hotel chain in provincial capitals and other fast-growing cities in the PRC targeting business travelers and tourists.

In addition, the acquired hotel properties provide capital appreciation potentials in line with the robust growth in the PRC economy and real estate market. The first two batches of 16 acquired hotel properties recorded a 39.7% increase in capital value from the consideration of RMB296.8 million to a market value of RMB414.6 million as at 1 February 2008.

The acquisitions are a great opportunity to the Group to build up a scalable network of hotel properties in various cities and provinces in the PRC. The Group will continue to expand a quality portfolio of hotels that is capable of meeting development plans in the future.

CHANGSHOU PROPERTIES: Retail spaces in Shanghai

On 4 June 2008, the Group entered into a Sale and Purchase Agreement with an affiliate of Blackstone to sell its 90% equity interests in a wholly-owned subsidiary company – Moral High. Moral High is the holding company of Peak Moral High which owns Changshou Properties. The net consideration for the 90% interests in Moral High was based on 90% of the valuation of Changshou Properties at RMB1,130 million less the expected bank borrowings of the disposed subsidiaries of RMB435 million, which amounted to RMB625.5 million (equivalent to approximately HK$700.6 million). Up to 31 March 2008, the properties have already realized a considerable capital appreciation of approximately RMB269.6 million (approximately HK$298.9 million) on fair value gain since our acquisition of the property in 2007. The disposal will be completed in August 2008. Upon completion, it is envisaged that considerable profit to the Group will be realized, which will be reflected in the next financial year.

KAI TAK CRUISE TERMINAL PROJECT

In March 2008, the Group has entered into a joint venture with Star Cruises Limited, Sun Hung Kai Properties Limited, Nan Fung Development Limited and Shun Tak Holdings Limited, to bid at a public tender for Kai Tak Cruise Terminal Development project (“Tender”). The Tender was called by the HKSAR Government on 9 November 2007 to develop cruise terminal facilities and buildings at the former Kai Tak Runway, Kowloon for a lease term of 50 years.

By participating in the Tender, the Group shows its supports to the community development by the concept of Cruise Economy. This initiative is in line with our business strategy to focus on property investment and hospitality.

On 9 July 2008, the HKSAR Government announced that there was no successful bidder for the Tender and will be re-tendered by the end of 2008. For the second round tender, the HKSAR Government intends to fund the site formation works and facilities required for the provision of government services. It is planning to award the tender by the third quarter of 2009 with the first berth of the new cruise terminal to begin operations in the second quarter of 2013.

The Group is still interested in the cruise terminal development project and will continue to monitor closely the progress of the retender.

112 APARTMENTS: Serviced apartment tower in Hong Kong

During the year, 112 Apartments, situated in North Point, Hong Kong, continued to report a satisfactory occupancy rate and contributed a stable stream of recurring rental income. At the end of the financial year, 112 Apartments recorded an occupancy rate of 88.5%. On 7 December 2007, the Group entered into a sale and purchase agreement with a third party investor for the disposal of 112 Apartments at a consideration of HK$161.0 million. The disposal envisaged a gain in capital appreciation of HK$51.0 million since the acquisition of the property at HK$110.0 million in 2005. The disposal was completed in June 2008.

DISCOUNTINUED OPERATIONS

The Group's strategy is to engage in property-related investment and dedicated to build a strong and diverse property and hospitality portfolio. Accordingly the Group discontinued its financial services operations by disposing of its entire interest in VXLFSL and VXL International Leasing Co. Limited in July and August 2007 respectively. These disposals contributed additional funds to the Group's ongoing projects and also enabled the Group to focus on its core business on property investment and hospitality.

FUTURE PLAN

The Group's consistent growth is to be sustained by the continued acquisition of high-quality properties in the Greater China regions. In the coming year, the Group will continue to move onto property investment and hospitality related projects.

The Group aims at building a brand name of "U" Inn hotels for providing quality and "value for money" budget hotels for business travelers and tourists, in order to take advantage of the rapid and stable growth in economy and tourism in the PRC market. The Group continues to acquire hotel properties with a view to establishing a scalable network of budget hotels and extending its reach in various cities and provinces in the PRC for recurrent income and long-term capital appreciation. It is expected that the acquired hotel properties will start to generate income for the Group by the fourth quarter of 2008, after renovation is completed.

A strong emphasis will continue to be placed on the Kai Tak Cruise Terminal project. The Group will study carefully the retender terms of the cruise terminal in due course. By taking part in the cruise terminal project, the Group aims to bring a robust "Cruise Economy" to Hong Kong. The cruise terminal project aims to attract world-class cruises as well as affluent cruise passengers from all over the world, turning Hong Kong into an "Asian Regional Cruise Hub," and the gateway to the rest of the PRC.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 March 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

Compliance with the Code on Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance and the Board considers that effective corporate governance is an essential factor to the corporate success and to enhance shareholders' value.

The Group has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the year ended 31 March 2008, with minor deviations as stated below.

Pursuant to Code A.4.1 of the CG Code, non-executive directors shall be appointed for a specific term, subject to re-election. All the non-executive Directors, other than Mr. Alan Howard SMITH, J.P., are appointed for specific term. Pursuant to Code A.4.2 of the CG Code, each director shall retire by rotation at least once every three years. In accordance with the Company's Articles of Association, one-third of the directors are subject to retirement by rotation and subject to re-election at each annual general meeting. The Board therefore considers that as the board consists of six directors and each of them retires in every three years, this effectively achieves the same objective as set out in the CG Code.

Model Code For Securities Transactions by Directors

The Board has adopted its own code of conduct regarding securities transactions by Directors (the "Model Code") on terms no less exacting than the required standard set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" of the Listing Rules. Having made specific enquiries with all Directors, the Directors have complied with the Model Code in their securities transactions during the year ended 31 March 2008.

Internal Audit

The Company has appointed an independent audit firm ("Internal Auditors") to provide internal audit services to the Group for the financial year ended 31 March 2008. The Internal Auditors have completed their review and concluded that the internal control system of the Company was adequate and no significant risks were identified. The Internal Auditors also made certain recommendations in their support for the Company's consideration to improve its internal control and efficiency.

The Board has reviewed the results of the internal control reviewed by Internal Auditors and, after discussion with management, is satisfied that the Group's system of internal controls is adequate and effective. The Board will continue to review and improve the Group's internal control system, taking into account the recommendations of the Internal Auditors and the prevailing regulatory requirement.

Review of Preliminary Announcement
The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2008 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

Audit Committee
The Audit Committee comprises all the independent non-executive Directors who possess appropriate business, legal, engineering and financial experience and skills to undertake review of financial statements in accordance with good practice of financial reporting. The Audit Committee is chaired by Mr. David YU Hon To and the other two members are Mr. Alan Howard SMITH, J.P. and Dr. Allen LEE Peng Fei, J.P.. The audited financial results for the year ended 31 March 2008 have been reviewed by the Audit Committee.

Annual General Meeting
The Annual General Meeting ("AGM") of the Company will be held at Suite 2707-8, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Friday, 22 August 2008 at 2:30 p.m. The Notice of AGM will be posted in the websites of The Stock Exchange of Hong Kong Limited and the Company and dispatched to Shareholders as soon as practicable.

ACKNOWLEDGEMENT
On behalf of the Board, I would like to extend our utmost gratitude to our valued clients, shareholders and business associates for their continued support for and confidence in the Group. I also wish to express our sincere appreciation to our management and employees for their positive efforts over the past year.

By Order of the Board
VXL Capital Limited
Datuk LIM Chee Wah
Chairman

Hong Kong, 18 July 2008

As at the date of this announcement, the Board comprises:

Executive Directors:	*Independent non-executive Directors:*
Datuk LIM Chee Wah	Mr. Alan Howard SMITH, J.P.
Mr. Percy ARCHAMBAUD-CHAO	Dr. Allen LEE Peng Fei, J.P.
Ms. Patsy SO Ying Chi	Mr. David YU Hon To